

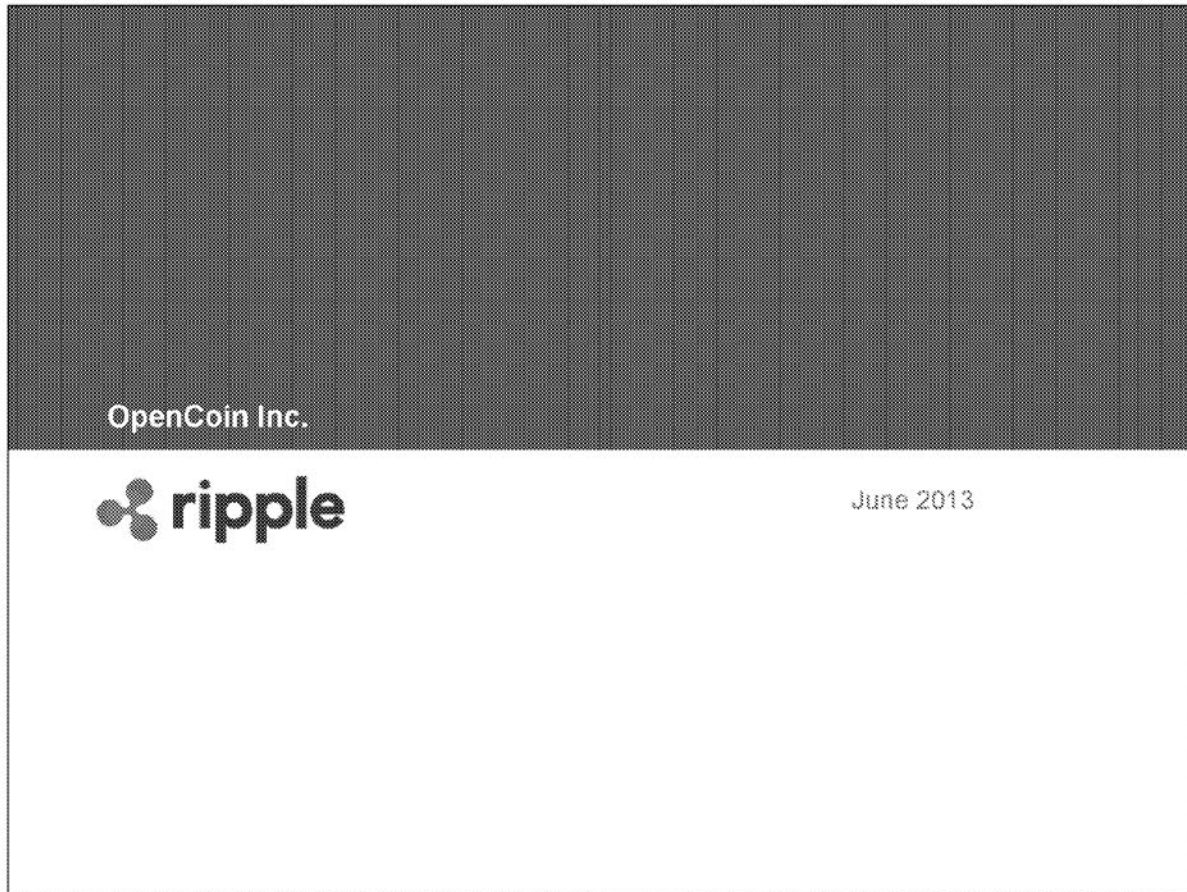
PX 158

Message

From: Chris Larsen [REDACTED@ripple.com]
on behalf of Chris Larsen [REDACTED@ripple.com] <[REDACTED@ripple.com]>
Sent: 9/3/2013 1:24:24 PM
To: Monica Long [Monica Long [REDACTED@ripple.com]>]
CC: [REDACTED@ripple.com] <[REDACTED@ripple.com]>
Subject: materials
Attachments: Ripple Gateway Whitepaper 073113.pdf; Ripple 6.1.pptx

CHRIS LARSEN | CEO
OpenCoin, INC.
[REDACTED@ripple.com] | www.ripple.com

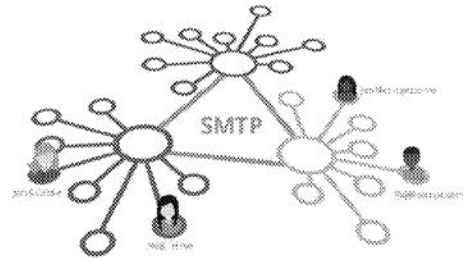




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Summary

- Ripple is a distributed payments network
 - Free global payment rails in any currency
 - Like SMTP, a protocol for moving money - anyone can use without license or fee
 - The network is enabled by a new currency called ripples (XRP)
 - Trust in XRP is based on a math relationship of servers in a distributed network
 - XRP serve key and unique security and efficiency functions
 - The protocol includes a distributed currency exchange
 - Can create offers in any currency
 - Federates the world's payment networks
 - OpenCoin Inc. builds the software and promotes the network
- 



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OpenCoin Founders and Team

Chris Larsen, CEO and Co-Founder

- CEO and co-founder, Prosper.com, 2004 to 2012: peer-to-peer lending marketplace
- CEO and co-founder, E-LOAN, 1996 to 2004: publicly traded online lender

Jed McCaleb, Co-Founder

- CTO and founder, MetaMachine, 1999 to 2005: creator of the eDonkey file sharing application
- CEO and founder, Mt.Gox, 2010 to 2011: largest Bitcoin exchange, sold in 2011 to start this venture

Stefan Thomas, Interim CTO

- Early development contributor and leading voice for Bitcoin. Created weusecoins.com, a popular Bitcoin portal

David Schwartz, Chief Cryptographer

- Chief Technical Officer, WebMaster Inc, 2001-2011. Worked with NSA on cryptography

Patrick Griffin, EVP of Business Development

- Founding team at Jumio. Built the sales and business development strategy and team

Arthur Britto, Co-Founder, Chief Strategy

- Created one of the first ISP's and one of the first Bitcoin exchanges. Highly respected in Bitcoin community

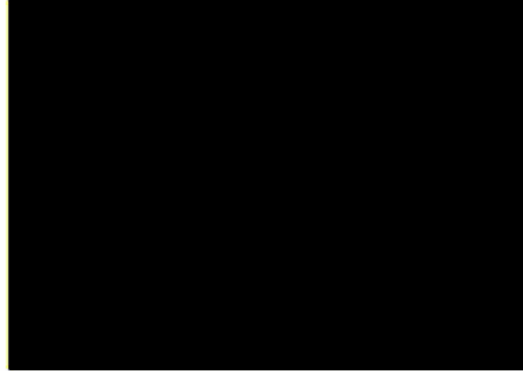
Other Team Members, 5 Software Developers, 3 support, contract Finance and PR



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OpenCoin Investors and Advisers

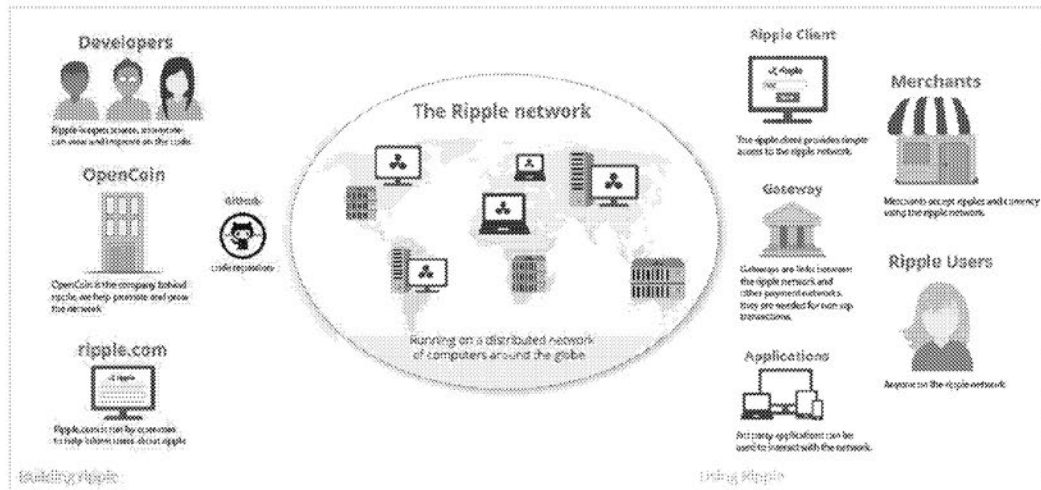


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OpenCoin Inc. vs Ripple

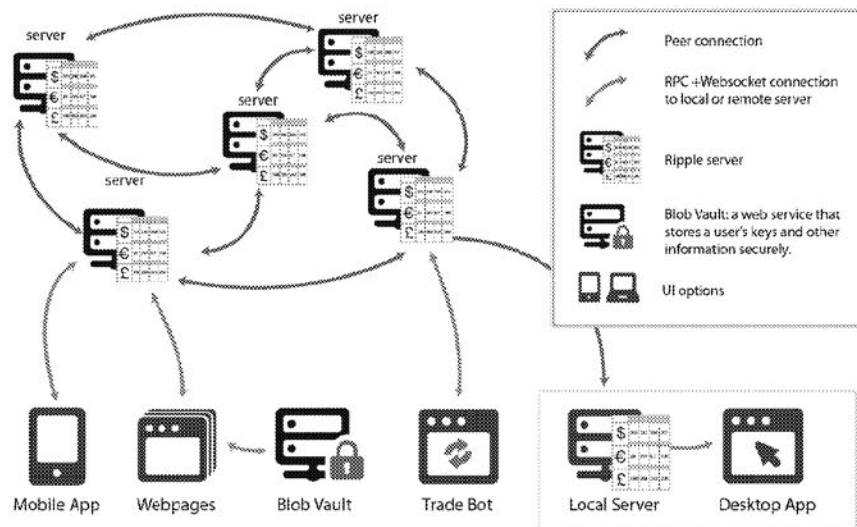
- OpenCoin is a for-profit corporation
- Ripple is a software protocol for payments



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The Ripple Eco-system

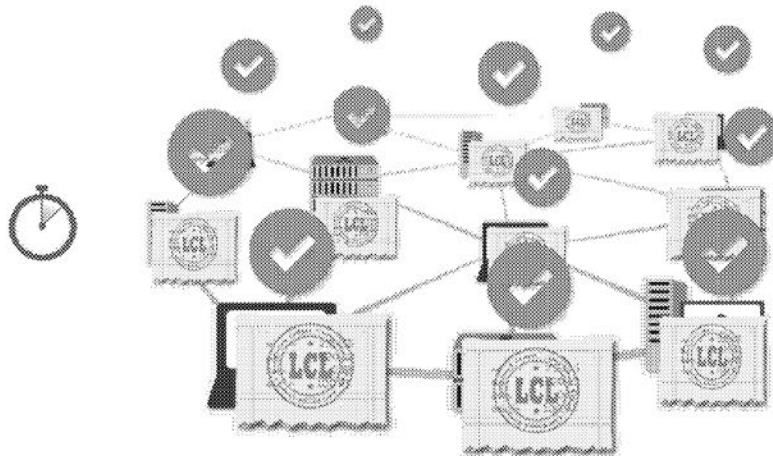


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Clearing through Consensus Confirmation in a Decentralized Network

- Servers continuously compare transaction sets for validity
- Transactions that appear valid to the majority of servers are updated in the ledger
- When the ledger updates, all intervening transactions clear and settle

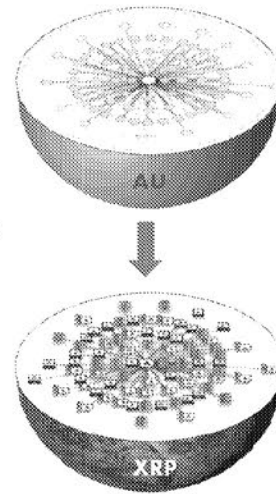


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The Role of XRP in Ripple

- Security
 - Transaction Fee (0.00001 XRP) prevents DDoS attacks
 - Reserve requirements prevent ledger spam
- Efficiency
 - Forex - counterparty hedging (XRP trade freely with IOUs)
 - Eliminate costs - transact without issuer fees or forex spreads
 - Global currency for the Web - no counterparty risk
- Value
 - 100B XRP - no more will ever be created, can't be debased
 - XRP is valued by its usefulness to enable commerce

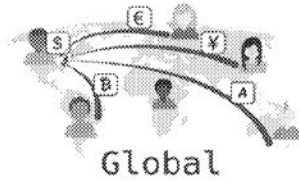


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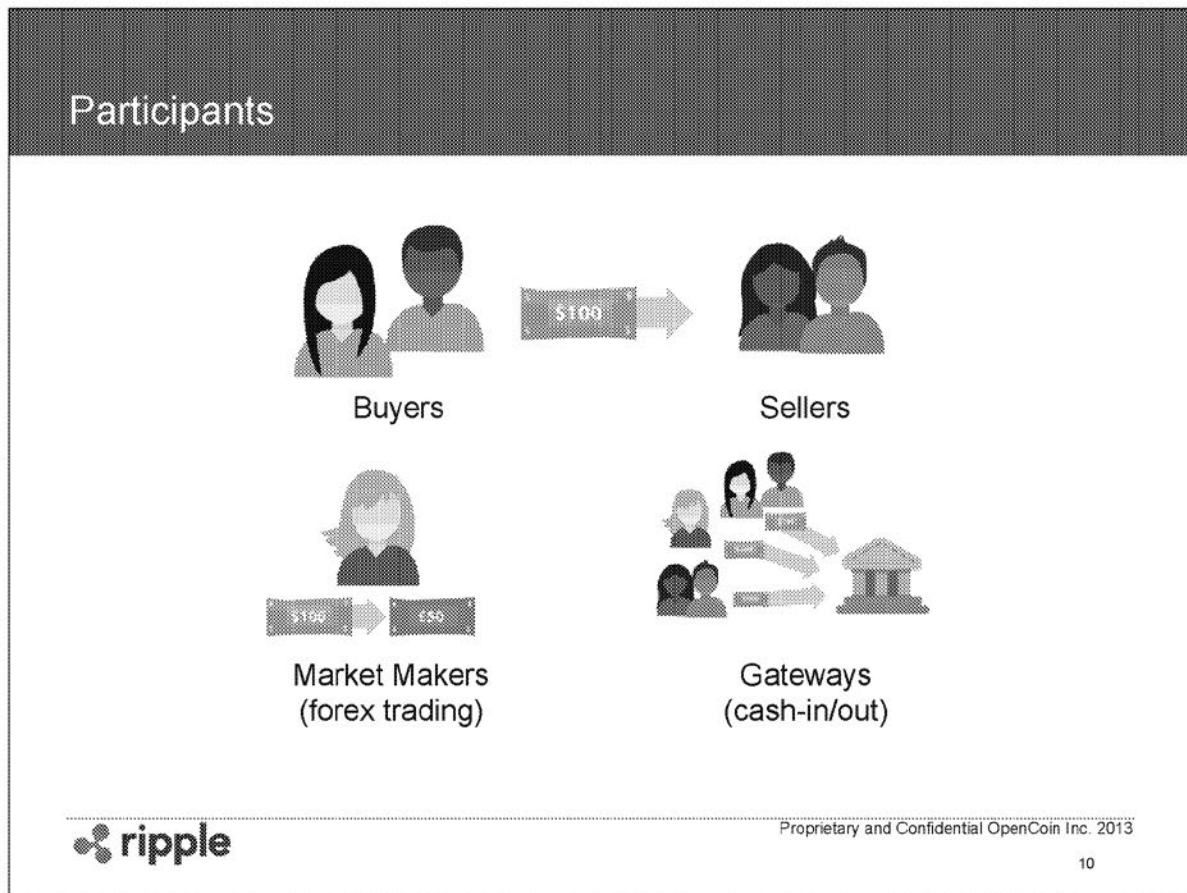
Ripple Is First A Global Payment Network

Where Bitcoin is a currency supported by a limited payment system, Ripple was designed as a robust payment system enabled by a math-based currency



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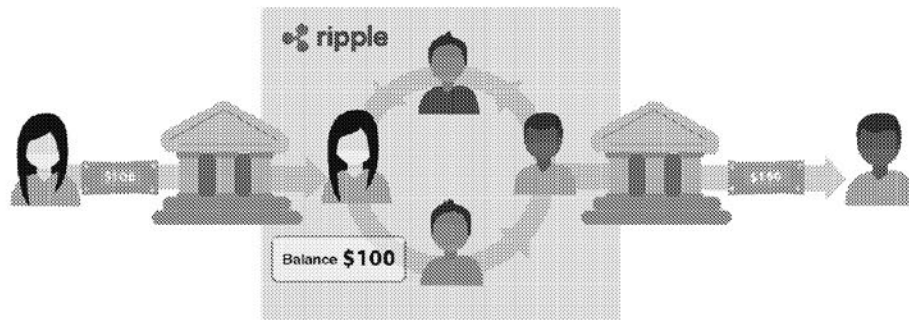


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Gateways

Moving Cash In or Out of Ripple

- Ripple is a *common* ledger
- Each gateway takes deposits and issues a unique balance into the ledger
- Balances can be transferred across the ledger without intermediaries
- Balances are redeemable for the deposit, on demand, at the issuing gateway
- Gateways earn fees as they wish



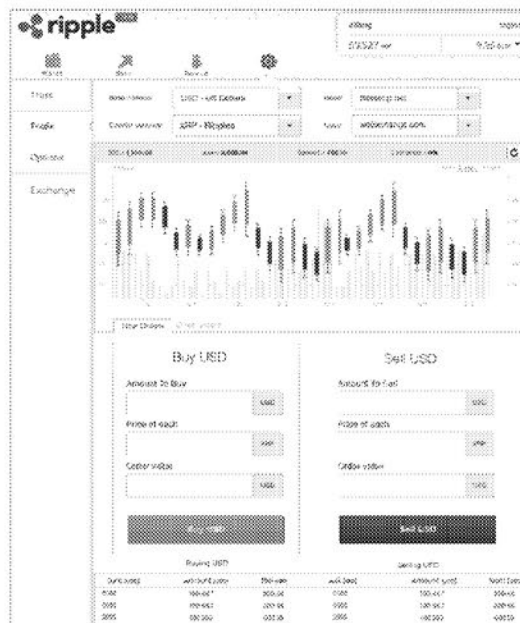
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Global Distributed Exchange Enables Cross-Currency Transactions

- Create bid/ask offers for any currency pair from any issuer
- Participants can profit from forex spreads
- Ripple executes currency transactions through the cheapest available bid/ask
- Eliminates the need for external exchanges
- Supports algorithm-driven trading



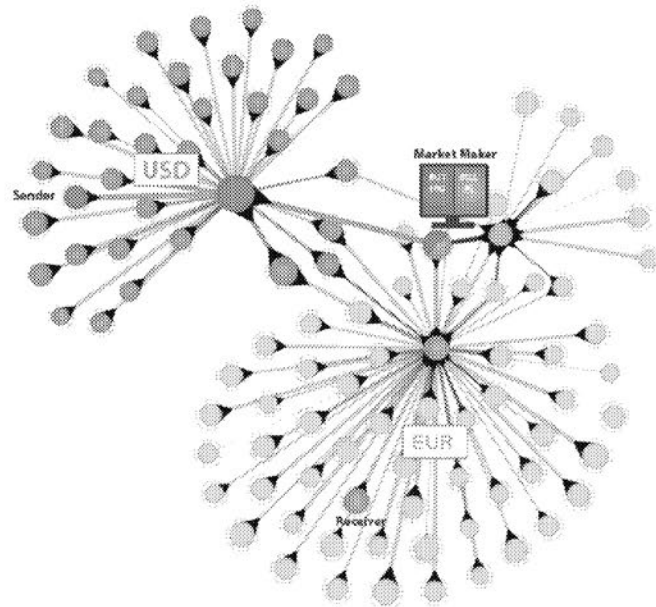
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Distributed Exchange

Cross-currency transaction through a market-maker



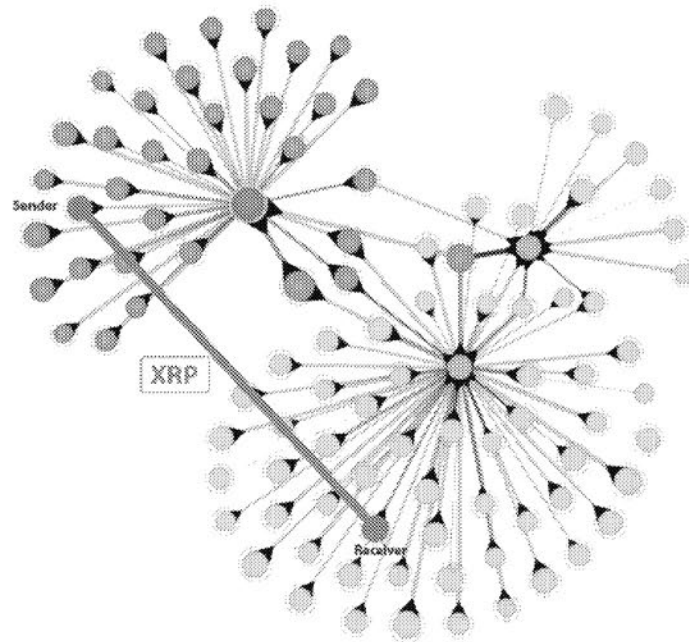
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XRP

Payment without counterparty risk



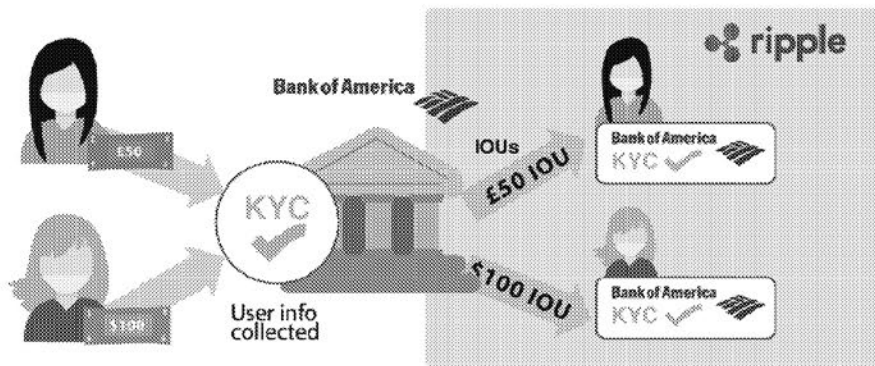
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Law Enforcement Gateway AML and KYC Diligence

- Gateways perform AML, BSA, KYC & links identity to Ripple Key
- Shows each transaction and public key involved, which links to that key's activity



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Business Model

Value of the Ripple Currency

- OpenCoin's business model is based on the success of XRP
 - Owns 25% of XRP created
 - Will occasionally sell XRP to fund itself
- Early XRP results prove the viability of this model

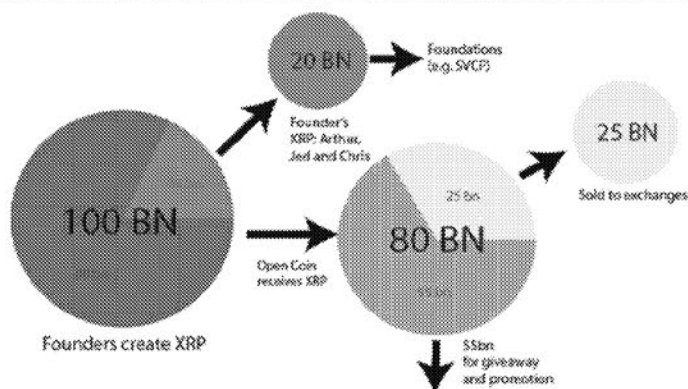


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Distribution of XRP



Time Period	User Target	Given per User	Total Users	Total Given
Launch	Bitcoin Community	50,000	5k	250mm
Year 1	Email Beta Users	1000	10k	10mm
Year 1	Git Hub	1000	4mm	4bn
Future Giveaways		40 - 500	80mm - 1bn	39bn



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Market Development

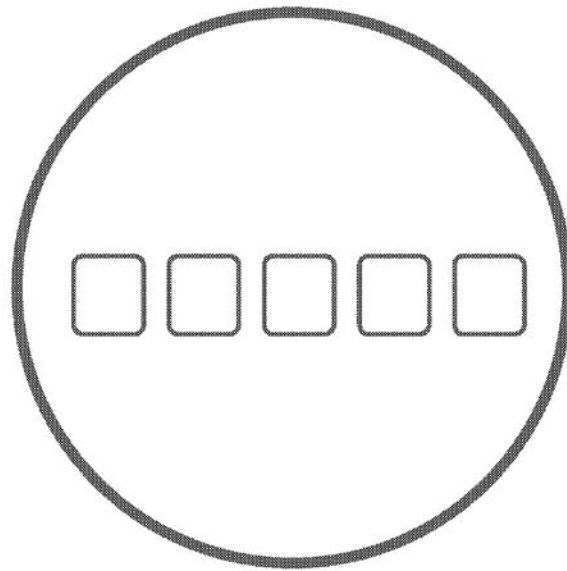
- Phase 1: Trust and Awareness
 - Emphasis on payment network
 - Benefits of consensus over mining
- Phase 2: Utility and Liquidity
 - Begin giving away large amounts of ripples free of charge
 - Attract gateways and key market makers
 - International payment and transfer products and use cases
- Phase 3: Build merchant adoption
 - Global e-commerce marketplaces
 - E-commerce payments platforms
 - Mainstream merchants
 - Amazon, Wal*mart



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Ripple Gateways: A Primer



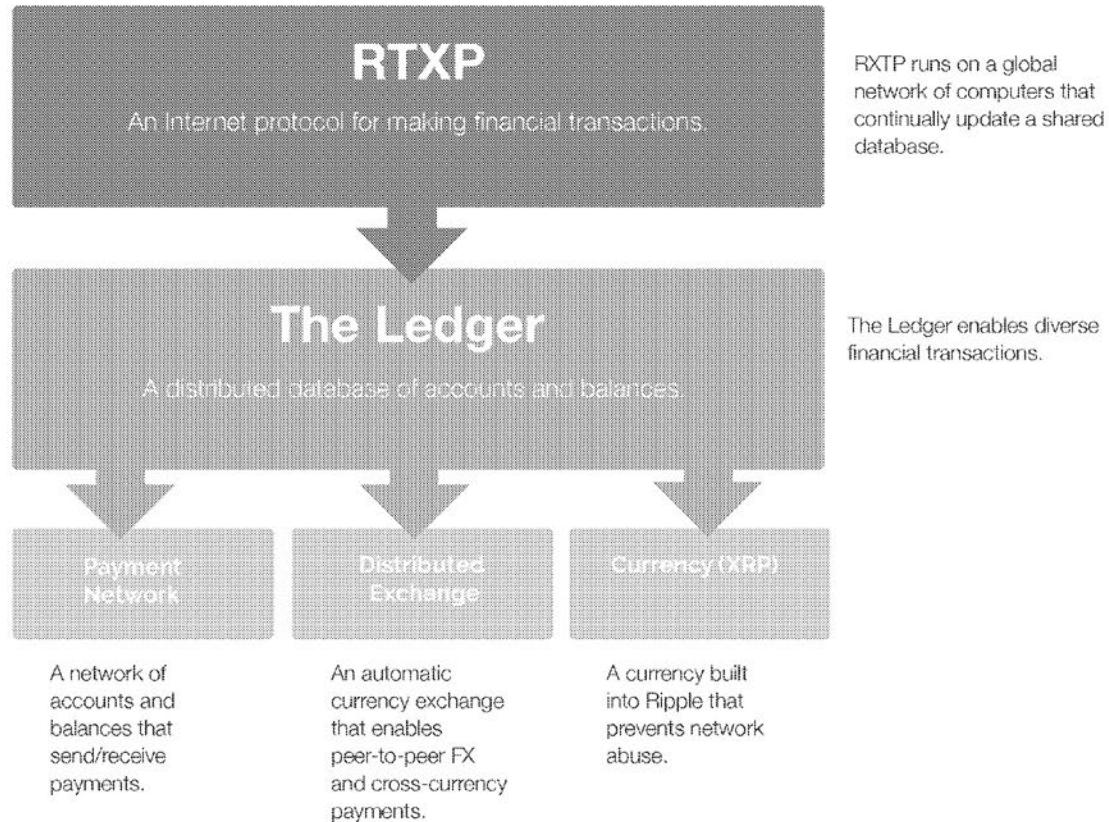
Overview

A Ripple gateway is any business that provides access to the Ripple network via a deposit/withdrawal facility. This is a primer on considerations related to integration of the gateway service.

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Section 1

The Ripple System



Section 2

Business Cases

The Ripple gateway service offers unique value propositions to diverse business models.

Remittance

- Expand geographic footprint at no cost
- Offer new currencies without capital requirements
- Pay wholesale forex spreads
- Earn 100% margin on transaction fees

Banks

- Free, automated clearing house for money movement
- Create a new revenue channel from balance transfers within Ripple
- Expand geographic footprint without regional/country risk
- Facilitate B2B cross-border transactions without currency risk

Currency Exchanges

- Free, global clearing house and prime broker for market makers
- Create a new revenue channel from balance transfers within Ripple
- Earn 100% margin on spreads and service fees
- Expand currency coverage without new capital requirements
- Expand portfolio of brokered assets

Prepaid

- Expand participating merchant base
- Acquire a turnkey digital prepaid wallet
- Enable peer-to-peer payments
- Allow cross-border payments
- Create a new revenue channel from balance transfers within Ripple

Merchants & Marketplaces

- Own and operate a branded payment rail
- Acquire a turnkey digital wallet
- Eliminate interchange fees and fraud
- Accept international payments without currency risk
- Settle funds instantly

Merchant Acquirers

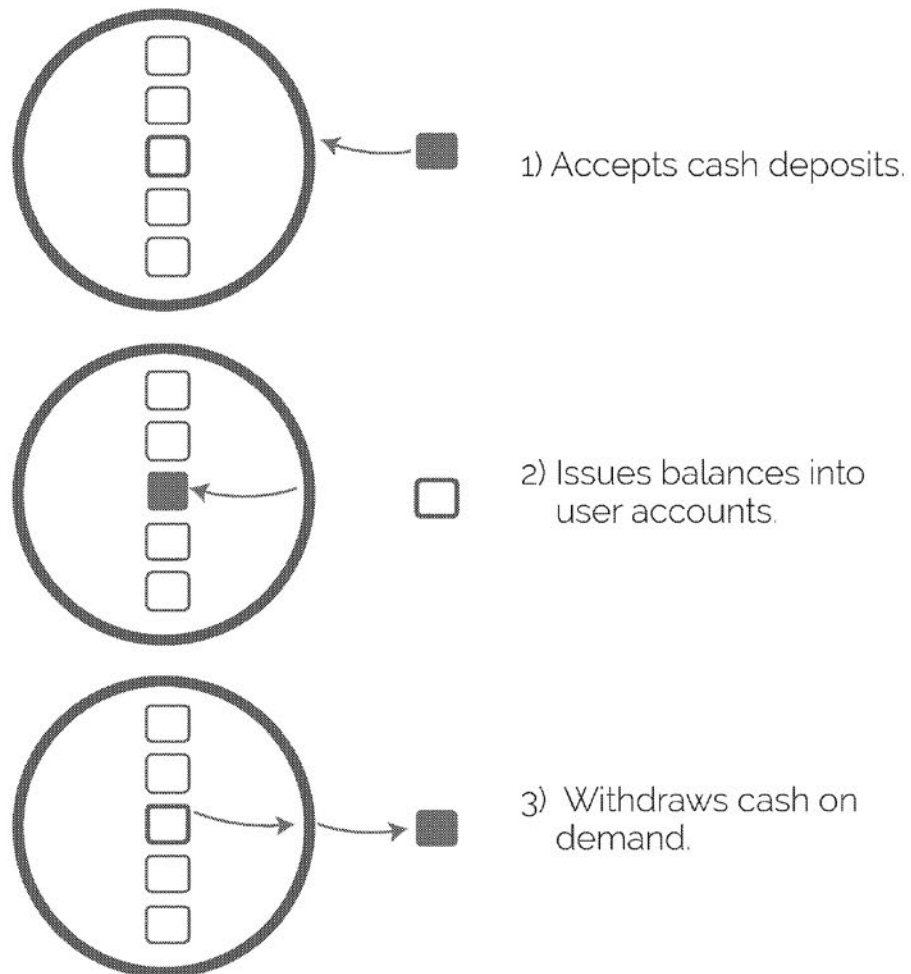
- Free payment rail
- Earn 100% margin on all processing fees
- Create a new revenue channel from balance transfers across Ripple
- Process cross-border payments at no cost
- Eliminate buyer fraud from chargebacks
- Seamless integration with existing settlement platforms



Section 3

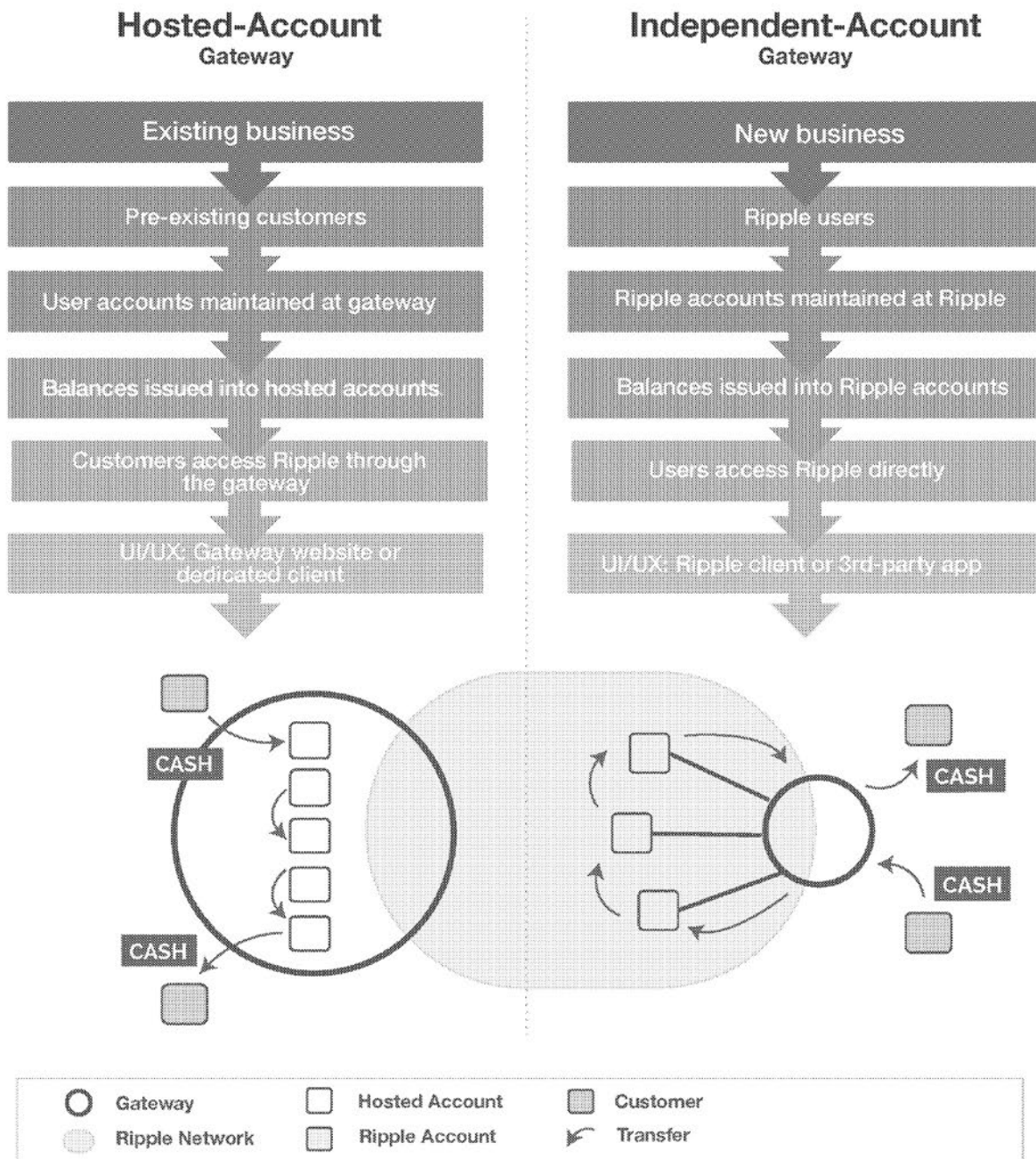
The Gateway Service

A Ripple gateway is any business that provides access to the Ripple network via the following



Section 4

Types of Gateway

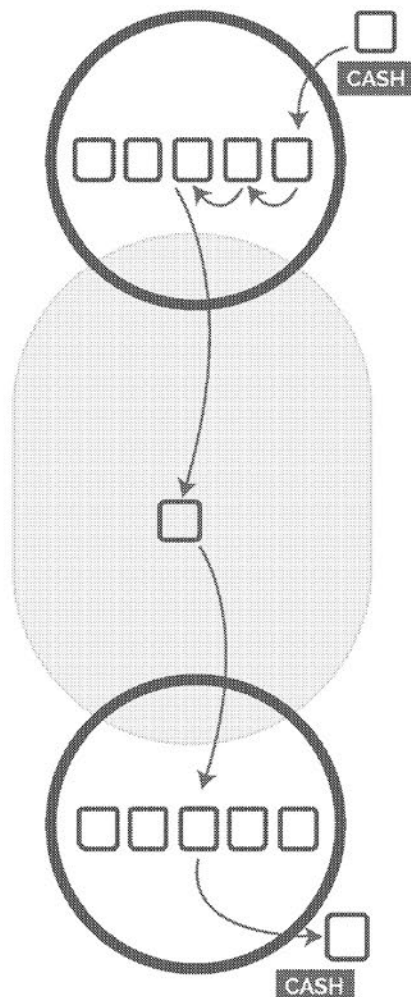


Section 5

Account Balances

Balances in accounts are demand liabilities for the gateway that issued the balance. Balances move from account to account as payments. The balance must always be withdrawn via the original issuing gateway.

The "life cycle" of a Ripple balance:



Deposit / Issuance

A gateway receives a deposit and issues a balance into an account.

Circulation

Balances are transferred between accounts as payments.*

Exchange.

Balances are exchanged via Ripple's distributed currency exchange.

Withdrawal

Balances are withdrawn from the original issuing gateway. The gateway provides the account holder with funds on demand (cash, bank deposit, etc.), and the balance is debited accordingly.**

*Payments must meet network and gateway requirements.

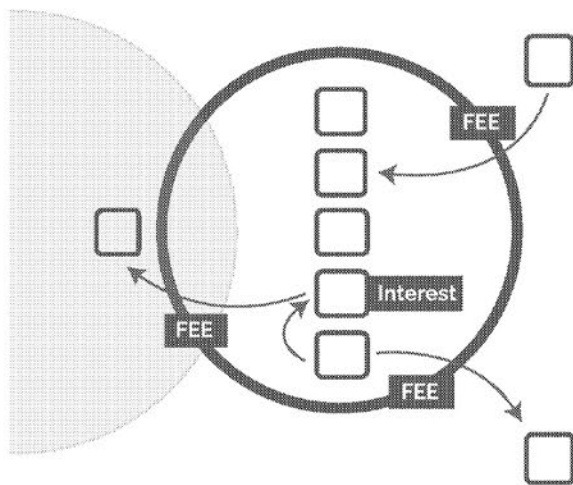
**Gateways institute prerequisites (KYC, AML) for withdrawal.

Section 6

Revenue Models

Ripple allows variable fee structures and revenue models.

Traditional Revenue:



Deposit / Issuance

Fees for processing deposits into Ripple accounts.

Withdrawal

Fees for withdrawals from the gateway.

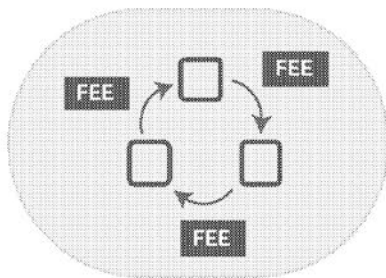
Interest

Interest on deposited funds.

Accounts

Fees for the creation and maintenance of accounts.

Ripple Unique Revenue:



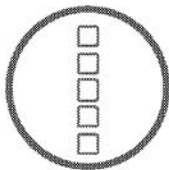
Circulation

Fees collected for the transfer of a gateway's balance.

Section 7

Integration Process

Ripple integration can be achieved in a little as a day.



Hosted-Account Gateway:

Hosted-Account Gateways use Ripple to provide financial services to their existing customers. Customers access their accounts and authorize payments via the gateway.

	User Interface	Ripple Server	Ripple Integration	Banking Integration	Time (days)
Automated Deposit and Withdrawal	Existing			Existing	0
Send/Receive Gateway-Issued Currencies	Customize Existing	Remote	Customize Existing		5
Ripple Network Support		Run Local Server			3
Send Cross-Currency Payments	Customize Existing	Run Local Server	Customize Existing		5
Payment Bridge	Customize Existing	Run Local Server	Custom		5



Custom development involved.

Compilation, configuration, and deployment only. No development.

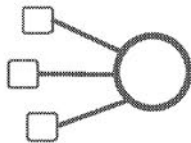
Pre-existing component. No additional work required.

Not applicable to use-case.



Section 7

Integration Process



Independent-Account Gateway:

Independent-Account Gateways provide basic gateway services to Ripple users. Because key

	User Interface	Ripple Server	Ripple Integration	Banking Integration	Time (days)
Manual Deposit and Withdrawal	Manual	Remote	Ripple.com Web Client	Manual	2
Automated Deposit and Withdrawal	Custom	Remote	Custom	Custom	10
Send/Receive Gateway-Issued Currencies		Run Local Server			3
Ripple Network Support	Ripple.com Web Client	Run Local Server			0
Send Cross-Currency Payments	Ripple.com Web Client	Run Local Server			0
Payment Bridge	Ripple.com Web Client	Run Local Server	Custom		5

	Custom development involved.
	Compilation, configuration, and deployment only. No development.
	Pre-existing component. No additional work required.
	Not applicable to use-case.

Section 8

Legal Compliance

Gateways are responsible for complying with local regulations and reporting to the appropriate agencies. Reporting requirements vary depending on country and state, but may include:

Know Your Customer

Source of Funds

Anti-Money Laundering

Suspicious Activity Report / Currency Transaction

Office of Foreign Assets Control

Threshold

Workers Remittance

Any other reporting as required by law or internal policies in the country where the gateway operates.

Section 9

Best Practices

Suggested EULA

Fees

Territory Coverage

Payment options

Deposit protection

Protection against unauthorized transaction

Regulation

Customer service

Top payment use cases

Deposit time

Escheat

Demurrage

Policies



Section 8

Resources

International Ripple Business Association - The International Ripple Business Association (IRBA) provides unified procedures to establish trustworthy and secure services for Ripple customers. (<http://www.xrpga.org/>)

FFIEC Customer Identification Program - (http://www.ffiec.gov/bsa_aml_infobase/pages_manual/OLM_011.htm)

To learn more about Ripple, visit [Ripple.com](https://ripple.com) or the Ripple Wiki.

To integrate Ripple with your business, please contact partners@ripple.com.